



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 10/28/2005

GAIN Report Number: MX5098

Mexico

Agricultural Situation

Weekly Highlights and Hot Bites, Issue #37

2005

Approved by:

David Williams
U.S. Embassy

Prepared by:

Luis Chavez, Dulce Flores, Gabriel Hernandez, Benjamin Juarez, and Jeff Nawn

Report Highlights:

LOWER HOUSE VOTES ON INITIATIVE ON FRUCTOSE TAX

- THE UNITED STATES OPENS THE MARKET FOR MEXICAN CANTALOUPE
- COURT INJUNCTIONS AGAINST THE 2008 CORN OPENING: FARMERS
- POULTRY PRICES DROP 40%
- NAFTA HAS NOT LED TO ECONOMIC COUNTRY GROWTH IN MEXICO
- NAFTA HAS NOT IMPROVED THE MEXICAN ECONOMY: STIGLITZ
- DAVIDOW DISCUSSES A NAFTA "PLUS"
- GRUPO MODELO TO BUILD THE WORLD'S LARGEST BREWERY
- GIGANTE SUPERMARKET SALES EXPECTED TO FALL
- AMLO OFFERS A NAFTA CLAUSE REVISION

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Mexico [MX1]
[MX]

Welcome to Hot Bites from Mexico, a weekly review of issues of interest to the U.S. agricultural community. The topics covered in this report reflect developments in Mexico that have been garnered during travel around the country, reported in the media, or offered by host country officials and agricultural analysts. Readers should understand that press articles are included in this report to provide insights into the Mexican "mood" facing U.S. agricultural exporters. Significant issues will be expanded upon in subsequent reports from this office.

DISCLAIMER: Any press summary contained herein does NOT reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

LOWER HOUSE VOTES ON INITIATIVE ON FRUCTOSE TAX

The lower house of the Mexican legislature voted yesterday, October 27, in favor of an initiative to modify the 20 percent tax (IEPS) on high fructose corn syrup (HFCS) in beverages. The initiative, prepared by the Treasury Commission, will exempt HFCS used in beverages from the tax, as long as it is produced entirely with domestic inputs. This initiative will now go to the Senate for approval. This legislative change will mean increased competition for sugar cane producers, who estimate that about 400,000 MT of sugar will be displaced by domestically produced HFCS in the coming year. However, it also represents a new opportunity for Mexican yellow corn producers, who are expected to receive contracts for between 850,000 MT to 1 million MT for fructose production. (Source: Reforma, Financiero 10/21, 25, 28/05)

THE UNITED STATES OPENS THE MARKET FOR MEXICAN CANTALoupES

The Secretariat of Agriculture (SAGARPA) announced on October 27, that the U.S. market is open for cantaloupes from Mexico. Producers with a history of cantaloupe exports to the U.S., and who have not registered previous salmonella contamination, are eligible to resume exporting. According to the agreement, producers who ship to the U.S. must comply with the SAGARPA "good agricultural practices" certification program, which is supervised by the U.S. Food and Drug Administration (FDA). At least 18 companies, most of them in Sonora, will be able to re-establish their export programs in the very near future. The U.S. government closed the borders to Mexican cantaloupes in 2002 due to salmonella detections. (Source: SAGARPA Bulletin No, 323/05 10/27/05, Reforma, Jornada 10/28/05)

COURT INJUNCTIONS AGAINST THE 2008 CORN OPENING: FARMERS

A number of corn organizations joined together in demanding that the Government of Mexico negotiate with NAFTA trading partners a delay in the opening of the white corn market, which is scheduled for January 2008. The organizations threatened that as soon as 2008 arrives they will file thousands of court injunctions and employ other legal mechanisms in order to resist the liberalization of the Mexican corn market. (Source: El Financiero; 10/27/2005)

POULTRY PRICES DROP 40%

For the last two months, increased poultry supplies in Mexico have driven poultry prices down 40%. Jaime Yesaki, of the National Agricultural Council (CNA), stated that this problem has been aggravated by increased U.S. poultry imports. According to the Mexican Ministry of Economy, Mexico has imported four times as much poultry this year, as compared to October 2004. Meanwhile, domestic production has grown by nearly 6% annually. Yesaki commented that avian influenza H5N1 has had no effect on demand because the market knows that this disease does not seriously threaten Mexico. Homero Martinez, of the Nuevo Leon Poultry Growers Association agrees with this. "Avian influenza has nothing to do with price reductions, what we have here is an excess of production, mainly because the product is very healthy" he stated. (EL NORTE, OCT. 21)

NAFTA HAS NOT LED TO ECONOMIC GROWTH IN MEXICO

Carlos Elizondo, the Mexican ambassador to the Organization for Economic Cooperation and Development (OECD), said that although NAFTA was able to increase the trade exchange among the partner countries, it has not been effective as a platform to expand domestic economic growth. He also stated that currently illegal migration has become an unfortunate byproduct of the agreement. (Source: La Jornada; 10/25/2005)

NAFTA HAS NOT IMPROVED THE MEXICAN ECONOMY: STIGLITZ

According to Joseph Stiglitz, Columbia University professor and 2001 Nobel Prize winner, the Government of Mexico should adopt economic policies which call for fiscal discipline, competitiveness, and which combat corruption, but there are no magic cures for Mexico's lack of economic development. He commented that the NAFTA has not been good for elevating the Mexican economy to a level similar of that to its trading partners. "Things have not worked, and Mexico continues to be one of the nations with the greatest inequity in the world," he said. (Source: El Financiero; 10/25/2005)

DAVIDOW DISCUSSES A NAFTA "PLUS"

Mexico, United States, and Canada have not fully taken advantage of NAFTA because of a lack of vision and leadership, according to Jeffrey Davidow, former U.S. Ambassador to Mexico. Furthermore, NAFTA countries have not taken any steps toward "a plus agreement." For this, he stated, a more high-level political drive would be required. Davidow also stated that, "NAFTA has been sidelined by migration and drug trafficking issues." The former U.S. ambassador to Mexico, and now president of the Institute of the Americas, outlined the need to focus on regional integration and, in the case of Mexico, improving infrastructure. (Source: El Universal, 10/25/2005)

GRUPO MODELO TO BUILD THE WORLD'S LARGEST BREWERY

Grupo Modelo and the State of Coahuila are collaborating to construct a 500 million dollar aqueduct to bring water 67 kilometers to the largest brewery in the world, which is under construction near Piedras Negras, Coahuila. When the new brewery is built, Grupo Modelo will have an annual export capacity of 30 million hectoliters of beer. The brewery in Piedras Negras will export almost all of its production to the United States. (El Financiero, 10/24/05)

GIGANTE SUPERMARKET SALES EXPECTED TO FALL

Analysts at Santander Serfin anticipate that Gigante Supermarket's third quarter report for 2005 will show a three percent drop in overall sales, and a five percent drop in same store sales (not including new stores). Reasons for the decline in sales include better pricing at competitors, aging and unattractive stores, and scarcity of products because of logistical problems. Gigante is taking steps to address the issues causing the declining sales, though to date has not been entirely successful. (*El Financiero*, 10/24/05)

AMLO OFFERS A NAFTA CLAUSE REVISION

Presidential Candidate Andres Manuel Lopez Obrador (AMLO) told Mexican corn producers that if elected he will veto the enforcement of the NAFTA clause that allows for the duty free entry of corn and beans. In the NAFTA, corn and beans are slated for complete quota and tariff free access in January, 2008. AMLO stated that if he wins the election in 2006, Mexico will return to a "social welfare state" that will guarantee producers subsidies "free of corruption." Moreover, Lopez Obrador said that U.S. and EU agricultural producers receive subsidies of up to 50 percent of their cost of production, while in Mexico, campesinos struggle with expensive agricultural inputs and low commodity prices. (Source: Reforma; 10/28/2005)

REPORTS RECENTLY SUBMITTED BY FAS/MEXICO CITY

MX5097	Weekly Highlights and Hot Bites, Issue #36	10/24/05
MX5096	Dairy Annual	10/20/05
MX5095	Trade Policy Monitoring Report	10/14/05
MX5094	Mexico Announced The White Corn Allocation Rules For 2005	10/14/05
MX5093	Weekly Highlight and Hot Bites, Issue #35	10/14/05
MX5092	Strawberries Annual	10/14/05
MX5090	Weekly Highlight and Hot Bites, Issue #34	10/04/05
MX5089	Mexico to Issue Import Permits for U.S. Fructose	10/04/05
MX5088	Weekly Highlights and Hot Bites, Issue #33	9/28/05
MX5087	Preliminary Dumping Duty - Apples	09/30/05
MX5086	Export Certificate Report	09/29/05

We are available at <http://www.fas-la.com/mexico> or visit our headquarters' home page at <http://www.fas.usda.gov> for a complete selection of FAS' worldwide agricultural reporting.

FAS/MEXICO EMAIL

To reach us at FAS/Mexico:

AgMexico@usda.gov, ATOMexico@usda.gov, or
ATOMonterrey@usda.gov